



Director of
Central
Intelligence

~~Secret~~
[REDACTED]

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

**Soviet Goals and Expectations
in the Global Power Arena**

National Intelligence Estimate
Memorandum to Holders

~~Secret~~

NIE 11-4-78
7 July 1981

Copy 294

~~SECRET~~
~~NOFORN~~

MEMORANDUM TO HOLDERS
OF NIE 11-4-78

SOVIET GOALS AND EXPECTATIONS
IN THE GLOBAL POWER ARENA

Information available as of 1 July 1981 was
used in the preparation of this Memorandum

This document has been
approved for release through
the DOCUMENT REVIEW PROGRAM of
the Central Intelligence Agency.

Date 2/21/93

HRP 93-3

~~SECRET~~

~~SECRET~~
~~NOFORN~~

THIS ESTIMATE IS ISSUED BY THE DIRECTOR OF CENTRAL INTELLIGENCE.

THE NATIONAL FOREIGN INTELLIGENCE BOARD CONCURS, EXCEPT AS NOTED IN THE TEXT.

The following intelligence organizations participated in the preparation of the Memorandum:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and Treasury.

Also Participating:

The Assistant Chief of Staff for Intelligence, Department of the Army

The Director of Naval Intelligence, Department of the Navy

The Assistant Chief of Staff, Intelligence, Department of the Air Force

The Director of Intelligence, Headquarters, Marine Corps

~~SECRET~~

~~SECRET~~
~~NOFORN~~

CONTENTS

	<i>Page</i>
KEY JUDGMENTS	1
DISCUSSION	7
The Central Role of Soviet Military Power	7
Soviet Relations With the United States	9
Western Europe	10
Eastern Europe	11
China	12
The Third World	13
Southwest Asia	13
Africa	15
Latin America	16
Domestic Pressures and Possible Policy Changes	16
Economic Problems	16
Potential Social Instability	17
Political Leadership and Succession	18

~~SECRET~~

~~SECRET~~
~~NOFORN~~

KEY JUDGMENTS¹

We believe that Soviet leaders regard military strength as the foundation of the USSR's status as a global superpower and as the most critical factor underlying Soviet foreign policy. As it enters the 1980s, the current Soviet leadership sees the heavy military investments made during the last two decades paying off in the form of unprecedentedly favorable advances across the military spectrum, and over the long term in political gains where military power or military assistance has been the actual instrument of policy or the decisive complement to Soviet diplomacy.

Since the mid-1970s the Soviet Union has demonstrated a new willingness to challenge the West in Third World settings as exemplified by its actions in Angola and Ethiopia and its invasion of Afghanistan. This more assertive Soviet international behavior is likely to persist as long as the USSR perceives that Western strength is declining and as it further explores the utility of its increased military power as a means of realizing its global ambitions.

A central question for the 1980s is whether the Soviets may be more inclined now than in earlier periods to confront the United States in a crisis. Moscow still views such a prospect as extremely hazardous. However, in light of the change in the strategic balance and continued expansion of general purpose forces, the Soviets are now more prepared and may be more willing to accept the risks of confrontation in a serious crisis, particularly in an area where they have military or geopolitical advantages.

Policy Toward the United States

The Soviet leadership sees the present US administration as basically hostile to the USSR and as intent upon linking Soviet behavior in the Third World to East-West relations, particularly arms control. Moscow has categorically rejected this "linkage" and has reaffirmed its

¹ In the view of the Director, Bureau of Intelligence and Research, Department of State, and of the Special Assistant to the Secretary of the Treasury (National Security), the Memorandum tends to understate the historical continuity of the ideological and political underpinnings of Soviet assertiveness in the Third World. Moscow has pursued opportunities and advantages during periods of relative military weakness as well as during periods of enhanced strength (for example, Korea, Laos, Congo, Berlin, and Egypt). The factors, moreover, that have influenced Soviet actions in these regions have been more their view of the situation and opportunities and of the potential US responses to Soviet initiatives than the precise state of development of Soviet military programs.

~~SECRET~~

~~SECRET~~
~~NOFORN~~

commitment to support "national liberation" movements. Although the Soviets may doubt that the administration will actually be able to pursue as assertive a policy toward the USSR as it has suggested it would, they are probably reviewing their options for responding over the longer term to that possibility.

The Soviets will continue to stress the importance of the arms control dialogue with Washington as the key to bilateral relations, and they will seek to resuscitate detente as the most promising way of constraining US military policies, of advancing their military and political objectives, and of controlling the costs and risks of heightened international tensions. If they conclude that there is no prospect in the near term for meaningful results from renewed SALT, they may decide to go beyond the SALT II constraints, seeking to place the onus for failure on the United States and to exploit the breakdown to widen cleavages in the Atlantic Alliance. At the same time, Moscow would continue to urge the United States to enter SALT negotiations and would undoubtedly attempt to manipulate West European commitment to SALT in order to increase the pressure on Washington.

Europe

Moscow apparently views the policies of the present administration in Washington as likely to sharpen contradictions within the Atlantic Alliance. The Soviets see a lack of Western consensus—for example, in implementing NATO's program to modernize its long-range theater nuclear forces (LRTNF). They seek to exploit these differences with a dual purpose: to pursue certain economic and political interests with the Europeans even if Soviet relations with the United States deteriorate, and to generate pressures on West European governments to influence Washington toward greater flexibility in its dealings with the USSR.

The USSR perceives that some Western governments are more concerned about military imbalances such as the Soviet preponderance in LRTNF. The Soviets will continue to act politically to prevent the implementation of NATO's force modernization programs (particularly regarding US LRTNF) through arms control offers that would ratify Soviet military advantages in Europe and through threats of counter deployments.

Poland presents the USSR with the most threatening and complex challenge to its vital interests to emerge in Eastern Europe in the postwar period. Soviet leaders are prepared to use military force to preserve Soviet domination if they become convinced that changes taking place in Poland jeopardize the USSR's hegemony over Eastern Europe. However, because they know that the political, military, and economic costs of intervention would be extremely high, they may bring

~~2~~
~~SECRET~~

~~SECRET~~
~~NOFORN~~

themselves, so long as Poland's commitment to the Warsaw Pact is assured, to live with a much-modified Communist system in Poland.²

The Soviets probably anticipate that their military intervention in Poland, even under the most favorable scenario, would cause a harsh West European reaction and an initially unified US-West European stand against them. They see this as removing or reducing, at least temporarily, what they would otherwise expect to be the restraining influence of the European allies on the United States. Nevertheless, the Soviets would expect that differences between the United States and the European allies on the scope, intensity, and duration of countermeasures against the USSR would gradually emerge and provide the USSR with opportunities for renewing detente with at least Western Europe.

China and Japan

The Soviets are deeply concerned by what they perceive as a quasi-alliance evolving between the United States and China, and they will seek to frustrate and to delay the emergence of a "Washington-Beijing-Tokyo axis" with links to NATO directed against Moscow. They will also cooperate with the Vietnamese who, although wary of Moscow's embrace, have become a junior partner in the Soviet effort to reduce US influence in Indochina and encircle and neutralize China. The present Soviet leaders developed the containment policy against China and built the forces as well as the alliance and diplomatic framework to support this policy. They are unlikely to abandon this policy for the extreme alternatives of either far-reaching concessions to placate Chinese demands or military measures to defeat or coerce the Chinese leaders.

Third World

The Soviets believe that they have the legitimate right and the military strength to pursue an aggressive foreign policy in the Third World. In seeking to assert the USSR's status as a power with broad, global interests, they will attempt to:

- Create as well as to exploit opportunities stemming from regional conflicts to enlarge Soviet influence, using military assistance and Soviet military power.
- Reduce Western—particularly US—influence by expanding the USSR's presence and encouraging anti-Western regimes and elements.

² We are unable to judge the precise limit of Soviet tolerance, and we doubt that the Soviet leaders themselves have as yet determined this limit.

~~3~~
~~SECRET~~

~~SECRET~~
~~NOFORN~~

- Augment Soviet strategic reach and counter Western military activity.
- Increase hard currency earnings as well as to promote political and strategic interests through arms sales.

More specifically, in the Middle East, Moscow seeks to:

- Preserve and exploit the strategic advantages it holds by virtue of geography, potentially reinforced by the Soviet military presence in Afghanistan, and by Soviet influence in Syria, Libya, and South Yemen.
- Encourage a shift of Persian Gulf states from a pro-Western to a more "nonaligned," and eventually pro-Soviet position, while at the same time helping "national liberation" movements that might seize power in the Gulf. In this context the Soviets have attempted also to improve relations with the conservative, pro-Western governments in the Gulf region.
- Improve Soviet access to and ultimately establish control over Persian Gulf oil, with all that would mean for enhanced Soviet leverage over Western Europe and Japan.

In attempting to realize these objectives, Soviet policymakers also have to take into account more fundamental concerns. First, they must approach with care any move that could lead to a direct military clash with the United States. Second, they must assess the impact of actions in the Gulf on their own global strategic, political, and economic interests. And, third, they must judge how they wish to affect—and to be seen affecting—Gulf oil supplies to the West. Such considerations might not deter the Soviet leaders if they were confronted by strategic opportunities or severe challenges in the Gulf region. Soviet behavior during the Iran-Iraq war and the evolution of its diplomatic position on Gulf security suggest, however, that Moscow seems more immediately interested in averting a major US military buildup in the region and in advancing Soviet claims for recognition as a legitimate coguarantor of Gulf security than in risking the employment of its military forces.

Moscow's present goals in Afghanistan—not easily realized—are to achieve political control and military consolidation while avoiding the introduction of major additional forces. The Soviets seek to establish conditions for political domination and a continued military presence in the country; the scale and nature of any postinsurgency military presence will reflect their broader regional objectives. Moscow will increase pressure on Pakistan through military threats, border incidents, subversion, and possibly strengthened ties with India in an effort to persuade Islamabad to accommodate Soviet objectives in Afghanistan.

~~SECRET~~

~~SECRET~~
~~NOFORN~~

With respect to Iran and Iraq, the Soviets will seek an outcome of their current war that leaves both dependent to some extent on the USSR, and that does not foreclose the possible further acquisition of oil from Iraq by the USSR and other Soviet Bloc countries. The Soviets will attempt to maintain Iraqi dependency on the USSR for arms supply, and they will seek in the near term to prevent any improvement in US-Iranian relations and to influence the Khomeini succession in a way that might lead a follow-on regime to adopt a posture more favorable to Soviet interests.

There will clearly be continuing opportunities in Africa for the USSR and its proxies. The most acute problems Soviet and Soviet proxy actions in Africa may create for the United States in the next several years could be:

- A substantial increase in Soviet backing for or involvement in the insurgency in Namibia.
- Extension of the USSR's influence elsewhere in Sub-Saharan Africa by providing military assistance—either directly or through the Cubans—to Soviet clients in order to develop or exploit internal instability in Zaire, Zambia, or Zimbabwe, or by collaborating to further Libyan aims in Chad and Sudan.
- Soviet provision of significantly larger numbers of advisers and equipment, or more support for the Cubans, in order to prop up Moscow-oriented regimes in Angola, Mozambique, or Ethiopia if they are threatened by dissident elements or faced by internal collapse.
- Military conflict between a Soviet client regime and a third country—with or without Soviet encouragement. (For example, Ethiopian encroachment on Somalia, or—less likely—clashes between Angola or Mozambique and South Africa related to Namibia or bilateral disputes.)

Inspired by the success of revolution in Nicaragua in 1979, the USSR is actively seeking to promote insurgencies in Central America aimed at bringing anti-US leftist regimes to power. Cuba is an increasingly important outpost for Moscow in the hemisphere, as well as a surrogate in the Middle East and Africa. The Soviets will continue to use Cuban airfields and other facilities and to underwrite the Cuban economy. Beginning in 1980 the USSR has actively been encouraging and facilitating Castro's return to militancy in Central America. The Soviets seek to maintain a degree of revolutionary momentum in the region, to undermine US interests, and to keep the Atlantic Alliance embroiled over how to deal with Soviet- and Cuban-sponsored instability and civil war thrust on friendly governments in Central America.

~~5~~
~~SECRET~~

~~SECRET~~
~~NOFORN~~

Domestic Considerations

Several sources of domestic pressure and vulnerability in the Soviet system could force difficult choices on the leaders in the 1980s. These include deteriorating economic performance, a growing possibility of social instability and internal dissidence, and a change in leadership. None of these factors alone will necessarily alter Soviet behavior. Their interaction could, however, lead to significant changes in foreign policy; it certainly will make this policy less predictable.

As the USSR begins its 11th Five-Year Plan, economic prospects are gloomier than at any time since Stalin's death, and there is a strong possibility the economic situation will get progressively worse in the second half of the decade. Annual increments to national output even in the early 1980s will be insufficient to avoid having to make choices among the competing demands for investment, consumption, the cost of empire, and continued growth in defense spending. As Soviet leaders survey what they regard as a hostile external environment, however, foreign policy and military requirements are likely to dominate their policy calculations. They will therefore try to maintain high defense spending, promote higher productivity and assure domestic control by appeals to a more extreme patriotism, and, if social instability arising from consumer dissatisfaction or ethnic tensions makes it necessary, by resorting to repressive measures.³

It is difficult to assess what impact the forthcoming leadership succession may have on Soviet policy, particularly since the environment in which a new top leadership has to act will probably be more important than the individual views of its members. If the new leaders believe the global "correlation of forces" to be favorable, especially if they are less impressed than Brezhnev with US military might and more impressed with their own, they might employ military power even more assertively in pursuit of their global ambitions. Greater caution in foreign policy could result, however, from the pinch of internal economic difficulties and popular dissatisfaction. On balance, although the policies of the new leadership cannot be confidently predicted with any precision, we believe that they will display general continuity with those of the Brezhnev era.

³ The Special Assistant to the Secretary of the Treasury (National Security) notes that investment, labor, and consumption shortfalls will still be likely, and believes that these will place constraints on major Soviet foreign policy initiatives.

~~SECRET~~

DISCUSSION

THE CENTRAL ROLE OF SOVIET MILITARY POWER

1. This Memorandum to Holders of NIE 11-4-78, *Soviet Goals and Expectations in the Global Power Arena*, focuses on those aspects of Soviet global policy—particularly military power related—that we believe to be of uppermost concern in the hierarchy of Soviet foreign policy interests. The Memorandum affirms the central judgment of NIE 11-4-78—that Soviet leaders regard military strength as the foundation of the USSR's status as a global superpower. We believe that Moscow perceives military power to be the most critical factor underlying Soviet foreign policy. In reaching and implementing foreign policy decisions, Soviet leaders, of course, consider a broadly defined "correlation of forces" which includes not only military, but political, social, and economic factors as well.
2. Since the mid-1970s the Soviet Union has demonstrated a new willingness to challenge the West in Third World settings as exemplified by its actions in Angola and Ethiopia and its invasion of Afghanistan. This more assertive international behavior has reflected a Soviet assessment of local opportunities and the risks of Western counteraction, but it has been strongly conditioned by the steady growth of Soviet military strength and the confidence it engenders. This Memorandum does not offer detailed analyses of Soviet force posture or of Soviet policies in those areas singled out for discussion. Rather, on a general level, it seeks to identify incentives and objectives, as well as potential vulnerabilities, which will shape Soviet policies over the next half decade.
3. This more assertive Soviet international behavior is likely to persist as long as the USSR perceives that Western strength is declining and as it further explores the utility of its increased military power as a means of realizing its global ambitions. Other sources of Soviet influence being comparatively weak, military might and the provision of military assistance will remain the key to the USSR's international prospects.
4. The manipulation of the USSR's increased military strength and capacity to provide military assistance, however, will be pragmatic and circumspect. Soviet policymakers now confront unusually complex issues: discontent among allies, the possibility of a deepening military involvement in Afghanistan, a volatile situation involving Middle East clients, continued poor relations with China, and an uncertain future for their relations with the West. Where a palpable Soviet military preponderance can be achieved, the Soviets will encourage regional actors eventually to accommodate themselves to Soviet regional objectives and seek security arrangements based on Moscow's good will with attendant political and military concessions, especially if the alternatives of military self-help and countervailing alliances prove less attractive. In East-West relations, the Soviets will continue to view the translation of military power into political gains as a long-term process, best promoted by persistent diplomatic efforts, covert action, and the steady amassing of military strength designed to alter the security environment gradually while avoiding confrontation. The Soviets will continue to act as though detente does not oblige them to refrain from assisting "legitimate" partners and "just" causes in Third World conflicts merely because US or Western interests might be adversely affected.
5. As it enters the 1980s the current Soviet leadership sees the heavy military investments made during the last two decades paying off in the form of unprecedentedly favorable advances across the military spectrum, and over the long term in political gains where military power or military assistance has been the actual instrument of policy or the decisive complement to Soviet diplomacy. The Soviets credit their strategic programs of the 1970s with lessening the probability of general nuclear war with the United States and probably with improving the war-fighting capabilities of their forces. They probably believe that their strategic forces would deter the United States from initiating intercontinental nuclear war in circumstances short of a clear threat to US national survival. They probably see a high risk of escalation to the nuclear level in any conflict with the United States in areas (such as Western Europe) perceived vital to US interests.

6. There is an alternative view that the Soviets credit their strategic programs with improving considerably their war-fighting and war-winning capabilities during the 1970s. These programs continue to be undertaken with the key objective of further improving these capabilities which the Soviets believe are the only sound basis for forestalling a nuclear war. The Soviets probably believe that the maintenance of superior general purpose forces and strategic nuclear forces will allow them to pursue an assertive, expansionist foreign policy, and give them increased confidence that Western military responses would be inhibited.⁴

7. The USSR's commitment to large military forces and arms assistance will be maintained because:

- Political conflict involving force or conducted in its shadow remains, in the Soviet view, a critical factor driving both the internal developments of states and the international system.
- The Soviets see their growing military strength as providing a favorable backdrop for the conduct of an assertive foreign policy.
- Moscow perceives certain advantages in its strategic nuclear capabilities. The Soviets will attempt to exploit advantageous trends and expand their strategic nuclear capabilities to counter new US programs.
- The Soviets are confident that they possess military superiority against China, and are relatively confident that they possess military superiority in Europe; and they are determined to maintain their lead.⁵
- Growing military aid has served as the main conveyor of Soviet influence in the Third World.

⁴ This view is held by the Director, Defense Intelligence Agency, and Senior Intelligence Officers of each of the military services.

⁵ In Europe, Soviet superiority presupposes successful conduct of a swiftly initiated offensive drive to the West that could, however, be thwarted if it triggered large-scale NATO use of nuclear weapons, or if it failed to achieve victory before NATO could bring its larger economic and population resources to bear on the course of the war. The Director, Bureau of Intelligence and Research, Department of State, believes that, in assessing the balance in Europe, the Soviets are very conservative in their calculations and make a number of assumptions which highlight their own weaknesses and Western strengths. While the Soviets recognize the value of their numerical advantage in manpower and certain categories of weapons, they are also aware of, and are attempting to remedy, weaknesses which would make them far from confident of the outcome of a war with NATO. As a result, future Soviet programs are likely to be more strongly motivated than the text might suggest.

— Finally, in crises, military power is seen by the Soviets as necessary for defending their interests and for leveraging crisis solutions in directions acceptable to them.

8. The momentum of programs already under way and the Soviet leaders' perception of actual and potential threats in the 1980s makes any letup in their efforts unlikely. As they seek to achieve the military objectives of superiority where possible, an assured defense, and improved global reach, they perceive and are concerned by:

- A newly assertive United States preparing to develop and deploy significant new strategic systems, exploit new military technologies, and field improved general purpose forces.
- Other foreign military programs, especially within NATO, that threaten to undercut the strengths of Soviet forces and exacerbate their weaknesses.
- The possible development of a security/defense relationship between the United States and China.
- Instability on their southern border and the prospect of an enhanced US military buildup in the Indian Ocean/Persian Gulf region.
- Developments in Poland which, if allowed to continue, could undermine Soviet hegemony not only there but in the critical East European area as a whole—but which could entail enormous political, military, and economic costs to stop.

9. In an effort to meet the challenges the Soviet leaders see looming, the new Five-Year Plan apparently continues to accord the military first claim to Soviet resources:

- The number of Soviet weapon systems in production and the production rates of major weapons are continuing at high levels.
- The number of weapon systems in flight test and trials—an indicator of the systems that are likely to enter production in the next few years—also remains at high levels.
- In addition, large numbers of weapon systems are in pretest stages of development; again, the numbers are consistent with the level of research and development (R&D) effort of the past 20 years.

- Capital construction is under way at a number of key defense R&D facilities and production plants in preparation for the development and production of other new weapons, as well as for the repair and overhaul of deployed systems.
- The addition of men to and the modernization of equipment in the Soviet forces are continuing.

10. A central question for the 1980s is whether the Soviets may be more inclined now than in earlier periods to confront the United States in a crisis. Moscow still views such a prospect as extremely hazardous. However, in light of the change in the strategic balance and continued expansion of general purpose forces, the Soviets are now more prepared and may be more willing to accept the risks of confrontation in the event of a serious crisis, particularly in an area where they have military or geopolitical advantages.

SOVIET RELATIONS WITH THE UNITED STATES

11. More than five months into the Reagan administration, the Soviet leadership is still taking stock of US policies and intentions. The Soviets may doubt that the administration will actually be able to pursue as assertive a policy toward the USSR as it has suggested it would. In their public commentary the Soviets continue to declare their commitment to "detente" and to improving relations with the United States.⁴ We believe that they see maintenance of such a relationship as the most promising means of constraining US military policies, of advancing their military and political objectives, and of controlling the costs and risks of heightened international tensions. Privately, the Soviet leadership is probably reviewing its options in responding over the longer term to the possibility of more assertive US policies.

12. In the military sphere the Soviets will attempt to restrain a buildup in US strategic forces, and to preserve or extend their margin of military advantage in those areas where this is possible. They will seek to engage the United States in arms control negotiations, to appeal to US public opinion, and to increase pres-

⁴"Detente," like the broader Soviet concept "peaceful coexistence," is a term that is often used or interpreted differently in the West than in the USSR. While seeking to ease tensions in its relationship with the United States in order to gain economic, political, and military benefits—both directly and in areas outside bilateral dealings—the Soviets continue to pursue unremitting ideological and "class" struggle in the international arena, including aid to "national liberation" movements and anti-US regimes.

ures on the United States by the Allies. If the effort to short-circuit the US buildup fails, the Soviets will try—as they assert—to compete militarily however high the costs. But a major increase in defense spending above that which the Soviets currently plan would cut sharply into civilian programs with the attendant possibility of substantial—and unpredictable—changes in the domestic Soviet political environment.

13. Despite Moscow's expressions of hope that a constructive relationship can be reestablished with the present administration, the Soviets believe they could be facing a more competitive and dangerous US opponent. They view the November election results and events since then as evidence that the recent anti-Soviet evolution of US policy is part of a deeper trend in American politics, and not merely a transient hard-line swing in what they initially perceived as zig-zag policies during the Carter administration.

14. The Soviet leadership sees the present US administration as basically hostile to the USSR and more prone to resist the USSR's efforts to expand its influence in the Third World. Moreover, it sees the United States as intent upon linking Soviet behavior in the Third World to East-West relations, particularly arms control. Moscow has categorically rejected this "linkage" and has reaffirmed its commitment to support "national liberation" movements. Nevertheless, it still hopes to use detente and negotiations as means of advancing Soviet interests, particularly by slowing Western arms programs and regulating the US-Soviet arms competition. Promoting detente is probably also still seen in Moscow as increasing the likelihood of advantageous economic relations with the United States and access to its technology and resources.

15. Moscow will continue to stress ongoing arms control and other security negotiations in its relationship with the United States. The Soviets can be expected to negotiate to preserve their strategic options in areas where they are strong and making progress, and to reduce the chances that the United States and its allies will use their economic and technological capabilities to turn the strategic balance against the USSR.

16. In fact, the Soviets see prospects for the resuscitation of Soviet-American relations as depending almost entirely in the near term on the fate of the arms control dialogue with Washington. The Soviets probably doubt that the SALT II Treaty can be salvaged as it stands. But they clearly wish to explore the possibility of reviving arms control negotiations with the

~~SECRET~~
~~NOFORN~~

present administration. At any such meetings the Soviets will attempt to discover how extensive US-proposed revisions are. But they will not limit their approach simply to responding to US proposals on various issues; rather, they will raise issues of their own choosing.

17. The Soviets are wary of being drawn into long and inconclusive discussions about an appropriate negotiating framework while the SALT II Treaty remains in limbo. They suspect that the present administration, with a strong defense mandate, might seek to exploit a drawn-out arms control dialogue with the Soviet Union to keep otherwise restive allies in line and maintain pressure on Moscow to observe treaty constraints, while at the same time moving ahead aggressively with a major military buildup. In this connection they will closely monitor US activity in the SALT and ABM fields and address their own force posture options.

18. If the USSR concludes that there is no prospect in the near term for meaningful results from renewed SALT, it may decide to go beyond the SALT II constraints. The Soviets could place ICBMs with multiple independently targetable reentry vehicles (MIRVs) in launchers of non-MIRVed ICBMs or increase the number of MIRVs per missile, thus increasing the threat to US silo- and shelter-based ICBMs. The Soviets would then seek to place the onus for failure on the United States and to exploit the breakdown to widen cleavages in the Atlantic Alliance. At the same time, Moscow would continue to urge the United States to enter SALT negotiations and would undoubtedly attempt to manipulate West European commitment to SALT in order to increase the pressure on Washington.

WESTERN EUROPE

19. The dominant view in Moscow is apparently that the policies of the present administration in Washington are likely to sharpen contradictions within the Atlantic Alliance that can be exploited by the USSR. As relations have cooled between the United States and the USSR, the West Europeans have adopted a damage-limiting strategy with respect to their own ties with the Soviets. Thus, for example, they have attempted to balance participation in US-initiated sanctions in the wake of the Soviet invasion of Afghanistan with efforts to keep the dialogue with Moscow open and the prospect of improved ties intact. Moscow has reciprocated, stressing the preeminent importance of continuing detente in Europe, playing

especially on growing Soviet-European economic ties and European domestic political pressures which have supported continuity and stability in relations with the USSR. The Soviets have traditionally sought to exploit conflicts of interest between the United States and Europe, and Soviet policy has attempted both to stimulate such differences and to gain West European support in modifying US policies.

20. Moscow regards the decisive factor in the US-West European relationship as the continuing military dependence of Western Europe on the United States and its institutionalization in NATO. This reinforces US political influence among the NATO member countries. The Soviets, therefore, seek gradually to convince the West Europeans that genuine security for them cannot depend solely or even most importantly on an Atlantic orientation, but rather should be guaranteed through additional security and arms control arrangements with the USSR. Moscow believes US influence can be undermined to the extent that the Soviet Union can:

- Undermine West European confidence in the US nuclear "umbrella."
- Erode the West European perception of the Soviet threat.
- Engage the West Europeans in arms control discussions and keep alive the prospects of their success.
- Encourage West European economic dependence on the USSR.

21. A number of developments cloud Soviet aspirations toward Western Europe. NATO nations have pursued—however fitfully—the US-sponsored Long-Term Defense Program and have formally decided to proceed with the deployment of a new generation of US long-range theater nuclear forces (LRTNF) on the continent. Moscow has come to regard these decisions as representing a basic change in longstanding Western attitudes. In the Soviet view, some Western governments are more aware of military imbalances such as the Soviet preponderance in LRTNF. Western reactions to the invasion of Afghanistan have heightened Soviet concern, as has the stance of the present US administration.

22. At the same time, however, the Soviets have ample and growing evidence of West European ambivalence about security relations with the United States. They see and seek to capitalize on a lack of Western consensus on major security issues—for exam-

10
~~SECRET~~

ple, implementing the LRTNF decision and increasing defense spending. They have been quick to seize on the opportunities provided by increasingly vocal political minorities in Western Europe who advocate the easing of East-West tensions, and they have sought to generate pressures on West European governments to influence Washington toward greater flexibility in its dealings with the USSR. They will continue to act politically to prevent LRTNF deployment through arms control offers that would ratify Soviet military advantages in Europe and through threats of counterdeployments. In the process, Moscow seeks to exploit differences in NATO with the objective of blocking and changing US policies.

23. Moscow recognizes that its ability to influence developments in Western Europe depends upon avoiding extreme East-West polarization. Sharply heightened East-West tensions probably would drive the West Europeans closer to the United States unless they could be convinced that the United States was responsible, and would limit Soviet ability to maneuver Western Europe away from the United States. Moscow, therefore, will seek to avoid a situation in which the West Europeans would be confronted with a choice between adherence to alliance policies or detente with the USSR. Nevertheless, events of the past several years suggest to the Soviets that they can pursue certain economic and political interests with the Europeans even if relations with the United States deteriorate. Thus, "differentiated" detente has increasingly emerged as a calculated Soviet strategy for conducting East-West economic and political relations.

24. Moscow is keenly aware that Soviet intervention in Poland would risk the political gains of detente with the West Europeans and the possibility of a cooperative relationship with the United States, including further arms control negotiations and technology transfers. The Soviets probably anticipate that even under the most favorable intervention scenario the West European reaction would be harsh and comprehensive and that a more or less unified US-West European stand would initially be taken against them. They see this as removing or reducing, at least temporarily, what they would otherwise expect to be the restraining influence of the European allies on the United States. Nevertheless, the Soviets would expect that differences between the United States and the European allies on the scope, intensity, and duration of countermeasures against the USSR would gradually emerge and provide the USSR with opportunities for renewing detente with Western Europe.

EASTERN EUROPE

25. An essential element contributing to an activist Soviet policy toward Western Europe and, to some extent, an assertive Soviet policy in other regions of the globe, is a stable position in Eastern Europe. The attention of the Soviet leadership is now focused on the Polish crisis. A festering crisis in Poland, or an intervention which involved a protracted period of consolidation, would be a severe political and diplomatic setback.

26. Over the years Moscow has attempted to establish limitations on social, economic, and political experimentation in Eastern Europe. This has been successful only in part, because each of the East European states is beset by major economic and political problems that have a momentum of their own, and that could mature into open crises, barring effective countermeasures. These problems are longstanding but the economic stagnation of recent years and economic as well as political reverberations of Poland could exacerbate already existing sources of potential instability. Thus the Soviets may have to devote increasing attention to stabilizing East European regimes and maintaining Soviet hegemony in the region. Yet the Soviet ability to impose more restrictive international and domestic policies on East European leaderships without actual use of force is diminishing. How to balance efforts by East European regimes to cope with their own fundamental problems through measures likely to run counter to Soviet interests, against the costs of restraining such measures, is the enduring problem of Soviet policy toward Eastern Europe.

27. The Polish crisis has accentuated once again the political vulnerability of the Communist regimes of Eastern Europe. Poland's agonies are an ominous reflection of chronic, systemic problems which afflict the Soviet empire: low economic growth, declining labor productivity, the need but increasing inability to satisfy rising popular demand for consumer goods, unsatisfactory responsiveness to guidance from Moscow, and, not least of all, a dependence on trade and credits from Western Europe. The USSR has many of the same problems.

28. Poland presents the USSR with the most threatening and complex challenge to its vital interests to emerge in Eastern Europe in the postwar period. Soviet leaders are prepared to use military force to preserve Soviet domination if they become convinced that changes taking place in Poland jeopardize the USSR's hegemony over Eastern Europe. However, be-

~~SECRET~~
~~NOFORN~~

cause they know that the political, military, and economic costs of intervention would be extremely high. They may, so long as Poland's commitment to the Warsaw Pact is assured, bring themselves to live with a much-modified Communist system in Poland.²

29. Intervention in Poland by Soviet armed forces most likely would exacerbate the military consequences of the Polish crisis for the Warsaw Pact. Resistance to Soviet intervention by the Polish military would lead to the destruction of the Polish forces involved and result in sizable Soviet losses. Even if the Polish military acquiesced to an intervention, enormous damage to its morale and popular support would occur. After the intervention, substantial Soviet forces would doubtless be permanently stationed in Poland, both to compensate for the loss of Polish forces to the Pact and to guarantee internal order. If the Soviets allow the Polish experiment to continue, they will try to counter its effects on Warsaw Pact cohesion.

CHINA

30. The Soviets are deeply concerned by what they perceive as a quasi-alliance evolving between the United States and China; yet they probably anticipate few opportunities other than possibly the issue of Taiwan for driving significant wedges between Washington and Beijing.

31. Until the end of the last decade, the Soviets counted heavily on US self-restraint, based on what they presumed to be a higher American stake in regulating the US-Soviet strategic nuclear relationship, to keep the Sino-American relationship from developing into an active anti-Soviet security partnership, and particularly from encompassing significant military equipment transfers. With the full normalization of US-Chinese relations at the beginning of 1979, Moscow saw American inhibitions weaken and, after the Soviet invasion of Afghanistan, erode further. Soviet fears of a potential Sino-US military alliance have been recently reinforced by the United States agreement to ease restrictions on arms sales to China.

32. Soviet leaders now almost certainly find no more reason than in the past to believe that their policies pursued toward China since the 1960s are likely to lead to a normalization of Sino-Soviet relations sufficient to relieve the USSR from the pressures of Sino-

American security collaboration or the possibility of a two-front war.

33. Soviet apprehension about China's military potential—which, despite its limited reach beyond Chinese borders, includes a manpower advantage and limited nuclear capabilities—has found expression in the steady Soviet buildup along the Sino-Soviet border since the mid-1960s. President Brezhnev and Defense Minister Ustinov visited the Soviet Far East in April 1978. Subsequently, a high command in the Far East was established, substantial changes were made in command and control, and force modernization continued.

34. These improvements have not been a response to any major new buildup of Chinese forces. The 1979 Sino-Vietnamese war, however, reinforced Soviet perceptions of a need to continue them. From Moscow's perspective Soviet forces are needed to contain the Sino-Soviet conflict, ensure Soviet security against China with a decisively superior posture, and strengthen the Soviet hand in attempting to negotiate some compromise with the Chinese. China's aspirations to challenge the USSR suggest that the problem and the concern—from a Soviet point of view—will not disappear.

35. Against the background of intensified US pressures on Japan to assume a greater security role in Northwest Asia, the Soviets perceive evolving Sino-Japanese trade and political ties with increasing concern. Moscow now views a US-Chinese military relationship directed against it, and indirectly supported by Japan, as a plausible, midterm threat against which it must plan. Soviet policies will seek to frustrate and to delay the emergence of a "Washington-Beijing-Tokyo axis" with links to NATO directed against Moscow. However, to date Moscow has been unwilling to make concessions to Tokyo on the most contentious issue, the Northern Territories, in order to improve political and economic relations.

36. Over the past decade, Moscow's attempts to extend its influence in Indochina through close cooperation with Hanoi have been motivated by two objectives: the reduction of US influence in the region and the encirclement and neutralization of China. Since the Sino-Vietnamese border war in 1979, Soviet military aid to Vietnam has increased dramatically. An enhanced Soviet military presence in or near the country includes greater Soviet naval activity in the southwest Pacific, Soviet naval docking rights, and regular Soviet intelligence flights from Vietnamese ter-

² We are unable to judge the precise limit of Soviet tolerance, and we doubt that the Soviet leaders themselves have as yet determined this limit.

12
~~SECRET~~

~~SECRET~~
~~NOFORN~~

ritory against China and US naval units in the western Pacific and South China Sea. The Vietnamese remain a cautious ally, wary of Moscow's embrace, but they have nevertheless become a junior partner in the Soviet effort to block Chinese influence in the region.

37. For years Moscow entertained some hope that Mao's successor might be a pragmatic leader who would see China's interests best served by abandoning Mao's highly personalized and ideologically oriented hostility toward the Soviet Union, and who would seek a more balanced Chinese relationship with the United States and the Soviet Union. Deng and his colleagues did dispense with much of the Maoist personalist indictment of Moscow and its leaders, but in its place have articulated a geopolitical rationale for opposing the Soviet Union. Moreover, the Soviets see China's commitment to long-term domestic modernization programs as providing Chinese leaders with continuing incentives for persisting in an anti-Soviet course—at least as long as such programs depend heavily on extensive economic and technological assistance from the West.

38. The Soviets may still hope that the US-Chinese relationship will run afoul of domestic politics in one or both countries. The present Soviet leadership developed the containment policy against China and built the forces as well as the alliance and diplomatic framework to support this policy. The current leaders are unlikely to abandon this policy for the extreme alternatives of either far-reaching concessions to placate Chinese demands or military measures to defeat or coerce the Chinese leaders. Should present trends continue, however, these drastic alternatives will remain for consideration by a successor Soviet leadership.

THE THIRD WORLD *

39. Soviet strategic objectives in the Third World as a whole will remain unchanged and will shape the Soviet approach to particular regions. Most importantly, the Soviets believe that they have the legitimate

* The Director, Bureau of Intelligence and Research; Department of State, and the Special Assistant to the Secretary of the Treasury (National Security) believe the Soviets will place greater reliance on political means, subversion, and military assistance—as opposed to the use of armed force—to undercut US policy, consolidate the USSR's position, encourage greater accommodation from regional powers, and gain wider acceptance of the legitimacy of the Soviet role in Southwest Asia, than the text suggests. They also believe the text underestimates the Soviet perception of the problems the USSR faces in that region (for example, in Iran, Iraq, Pakistan, and Afghanistan).

right and the military strength to pursue an aggressive foreign policy in the Third World. In seeking to assert the USSR's status as a power with broad, global interests, they will attempt to:

- Create as well as exploit opportunities stemming from regional conflicts to enlarge Soviet influence, using military assistance and Soviet military power.
- Reduce Western—particularly US—influence by expanding the USSR's presence and encouraging anti-Western regimes and elements.
- Augment Soviet strategic reach and counter Western military activity.
- Increase hard currency earnings as well as promote political and strategic interests through arms sales.

Southwest Asia

40. During the past three years as a consequence of the fall of the Shah, the Soviet invasion of Afghanistan, and the Iran-Iraq war, the possibility of East-West confrontation has sharply intensified in Southwest Asia, an area immediately adjacent to the southern borders of the USSR. Furthermore, although the United States has only begun to develop a significant military presence there, Washington has declared a vital national interest in preserving the independence of the Persian Gulf region, raising the likelihood that further Soviet expansion in that area will lead to confrontation. Soviet leaders are aware that the stakes, risks, and consequences of US-Soviet contention in this part of the world are great.

41. While the international reaction to the Soviet invasion of Afghanistan was probably more severe than Moscow anticipated, the consequences of a failure to act are probably still viewed in Moscow as justifying the investment. Moreover, the Soviet leaders almost certainly recognize that any further military expansion by the USSR into the Persian Gulf region would affect their relations with the West far more adversely, and above all would carry far more serious risk—in comparison with the Soviet invasion of Afghanistan—of an escalating military confrontation with the United States. Such considerations might not deter the Soviet leaders if they were confronted by strategic opportunities or severe challenges in the Gulf region. The threat of a US military presence in Iran, or a call from an embattled leftist regime in Tehran, or

~~SECRET~~

~~SECRET~~
~~NOFORN~~

an "invitation" from a local spinoff republic in Iran might tempt the Soviets to introduce military forces.

42. Soviet behavior during the Iran-Iraq war and the evolution of its diplomatic position on Gulf security suggest that Moscow seems more immediately interested in averting a major US military buildup in the region and in advancing Soviet claims for recognition as a legitimate coguarantor of Gulf security than in risking the employment of its military forces. The Soviets have already begun to promote the idea of an externally guaranteed international regime of unimpeded access to the Gulf's oil resources in which the Soviet Union would be a legitimate and coequal participant and guarantor.

43. Moscow's policy in the Middle East is based on certain broad goals. It seeks to:

- Preserve and exploit the strategic advantages it holds by virtue of geography, potentially reinforced by the Soviet military presence in Afghanistan, and by Soviet influence in Syria, Libya, and South Yemen.
- Encourage a shift of Persian Gulf states from a pro-Western to a more "nonaligned," and eventually pro-Soviet position, while at the same time helping "national liberation" movements that might seize power in the Gulf. In this context the Soviets also have attempted to improve relations with the conservative, pro-Western governments in the Gulf region.
- Improve Soviet access to and ultimately establish control over Persian Gulf oil, with all that would mean for enhanced Soviet leverage over Western Europe and Japan.

44. In attempting to realize these objectives, Soviet policymakers also have to take into account more fundamental concerns. First, they must approach with care any move that could lead to a direct military clash with the United States—especially one that they could reasonably anticipate might escalate to nuclear warfare. Second, they must assess the impact of actions in the Gulf on their own global strategic, political, and economic interests. And, third, they must judge how they wish to affect—and to be seen affecting—Gulf oil supplies to the West.

45. In light of the relative proximity of the Gulf to home-based Soviet military power, demilitarization schemes launched by Moscow to keep out external forces are calculated to hinder Western activity and

preserve Soviet military advantage. The Soviets may believe there are good chances for constraining the American military buildup in the region, given Moscow's awareness of the unwillingness of Gulf states to ally themselves openly with the United States or to grant the United States more than conditional access to some air and naval facilities, European skepticism about the appropriateness or feasibility of the American defense design for the Persian Gulf, and some domestic American criticism of the design as unworkable.

46. Moscow will work to encourage realignment toward the USSR of Pakistani policies and the acceptance of such a change by the United States, Western Europe, and China. Moscow will increase pressure on Pakistan through military threats, border incidents, subversion, and possibly strengthened ties with India in an effort to persuade Islamabad to accommodate Soviet objectives in Afghanistan.

47. Moscow's present goals in Afghanistan—not easily realized—are to achieve political control and military consolidation while avoiding the introduction of major additional forces. The Soviets seek to establish conditions for political domination and a continued military presence in the country; the scale and nature of any postinsurgency military presence will reflect their broader regional objectives. The Soviets cannot afford to withdraw substantial forces, even if they thought such withdrawals would serve their interests elsewhere. Nor would Moscow probably abandon newly gained forward military positions even if security conditions in Afghanistan permitted, although small cosmetic withdrawals could be made for political purposes.

48. With respect to Iran, Moscow will seek in the near term to prevent any improvement in US-Iranian relations and to influence the Khomeini succession in a way that might lead a follow-on regime to adopt a posture more favorable to Soviet interests. If they are not propelled by events, the Soviets would probably prefer a united, anti-Western Iran heavily subject to Soviet influence and willing to barter oil on preferential terms for Soviet military and technical assistance. If a leftist coalition were able to seize power, it might request Soviet armed assistance in establishing its control in individual regions of Iran or throughout the country. The Soviet decision to accept such an invitation would be critically affected by Moscow's estimate of the risk of a direct military confrontation with the United States.

~~SECRET~~

49. Moscow's ties with Iraq have been strained by the Soviet refusal adequately to meet Iraqi military resupply needs during the Iran-Iraq war. Baghdad is already actively seeking Western sources of arms supply, and has been moving toward a closer alignment with the conservative states in the region. The Soviets will attempt to maintain Iraqi dependency on the USSR for arms supply. They also will hope that the pressure implicit in their relations with the forces potentially threatening to the Saddam Hussein regime (such as Syria and the Communist Party of Iraq) will lead Iraq to respond to Soviet interest. They will cultivate ties if feasible with pro-Soviet or anti-Hussein elements in the Ba'th Party and military establishment. They will seek an outcome of the current war that leaves both Iraq and Iran dependent to some extent on the USSR, and that does not foreclose the possible further acquisition of oil from Iraq by the USSR and other Soviet Bloc countries.

50. In the future, a continued assertive Soviet posture in Southwest Asia is likely—one which seeks to use Moscow's new forward position and regional instabilities. The Afghanistan occupation has improved the USSR's military position vis-a-vis Iran and Pakistan and has enhanced Soviet ability to exercise political pressure in the area. At the same time, it has aggravated Soviet difficulties with the regional states. The Soviets will attempt to exploit this posture vigorously once their political and military position in Afghanistan has been consolidated. If the current Soviet strategy fails—and particularly if the United States seems likely to build a viable security framework in the Gulf and to organize states in and close to the region into an anti-Soviet front—Soviet behavior will probably take a still more assertive turn. For the present, however, Moscow seems to believe that the USSR's long-term interests are best served by averting a US military buildup through preemptive diplomacy rather than by confronting it prematurely with military displays. This relative restraint could, of course, quickly give way if events in the region threaten Soviet interests or create opportunities for them.

Africa

51. There will clearly be continuing opportunities in Africa for the USSR and its proxies. The potential openings are many:

- The political, economic, and social weaknesses that will continue to afflict Africa.

- The tendency of African military organizations to acquire as much weaponry as possible regardless of the real level of threat.
- Abiding African suspicions of Europe and the United States.
- The presence of apartheid in South Africa and its impact on the domestic and foreign policies of other countries in Africa. Clearly, the Soviets view support for the African struggle for majority rule in Namibia and South Africa—in all of its political, economic, military, and diplomatic dimensions—as a key element in their approach to Sub-Saharan Africa over the next decade.

52. Of the many problems Soviet and Soviet proxy actions in Africa may create for the United States in the next several years, the most acute could be:

- A substantial increase in Soviet backing for or involvement in the insurgency in Namibia.
- Extension of the USSR's influence elsewhere in Sub-Saharan Africa by providing military assistance—either directly or through the Cubans—to Soviet clients in order to develop or exploit internal instability in Zaire, Zambia, or Zimbabwe, or by collaborating to further Libyan aims in Chad and Sudan.
- Soviet provision of significantly larger numbers of advisers and equipment, or more support for the Cubans, in order to prop up Moscow-oriented regimes in Angola, Mozambique, or Ethiopia if they are threatened by dissident elements or faced by internal collapse.
- Military conflict between a Soviet client regime and a third country—with or without Soviet encouragement. (For example, Ethiopian encroachment on Somalia, or—less likely—clashes between Angola or Mozambique and South Africa related to Namibia or bilateral disputes.)
- Soviet acquisition of a major new foothold in West Africa.
- An increased Soviet naval and air presence in the region if the Soviets were successful in obtaining access to port facilities and airfields in various countries.

53. But increased Soviet activity in Sub-Saharan Africa will not necessarily assure greatly heightened Soviet influence. The Soviets are probably concerned about the possibility of a peaceful Western-sponsored

Namibian settlement by their own failure to back the right side in Zimbabwe, by US success in winning permission to use military facilities in Somalia, Djibouti, and Kenya, and by Nigeria's links with the West.

Latin America

54. Moscow's interest in Latin America has intensified in recent years as it has seen a weakening of US influence and new opportunities to promote Soviet aims. The Soviets have exploited an intensified interest by many Latin American nations in undertaking policies independent of the United States and their increased willingness to develop political, economic, and military ties with the USSR. Moscow also thinks that political developments within many Latin American countries favor Soviet interests.

55. One facet of Soviet strategy has been to develop state-to-state relations with the region's major powers such as Argentina, Brazil, and Mexico. Although Moscow hopes that over the longer run the environment in these countries will be more hospitable to the growth of Marxist and radical leftist movements—and is working overtly and covertly for such an eventuality—at present it has put priority on cultivating nationalistic and anti-US sentiments and promoting Soviet economic interests, such as acquisition of Argentine grain. Argentine grain.

56. In Central America in particular, however, Moscow has taken a different tack and is seeking to promote insurgencies aimed at bringing anti-US leftist regimes to power. Inspired by the success of revolution in Nicaragua in 1979, the USSR has detected potential for revolution in El Salvador, Guatemala, and Honduras. The Soviets have moved to exploit these new revolutionary currents by helping to consolidate the new regime in Nicaragua, urging their local Communist allies to participate and gain influence in broad-based revolutionary movements, and extending military and financial aid, both directly and through surrogates.

57. Cuba is an increasingly important outpost for Moscow in the hemisphere, as well as a surrogate in the Middle East and Africa. The Soviets will continue to use Cuban airfields and other facilities and to underwrite the Cuban economy. Beginning in 1980, the USSR has actively been encouraging and facilitating Castro's return to militancy in Central America. The Soviets seek to maintain a degree of revolutionary momentum in the region, to undermine US interests, and to keep the Atlantic Alliance embroiled over how

to deal with Soviet and Cuban-sponsored instability and civil war thrust on friendly governments in Central America.

58. Despite Moscow's new activism in the region, some significant constraints on Soviet activity are likely to remain. Moscow recognizes that, compared to the Middle East and South Asia, Latin America is not central to its security concerns. The Soviets recognize that the United States has the ability to exert substantial military and economic power in the region and that Soviet ability in this regard is limited. Moreover, Moscow realizes that, as in the case of Jamaica where it suffered a serious reversal, its influence sometimes rests on shaky domestic foundations. Despite these factors, it is clear that the United States will be faced with more Soviet support for political subversion and military activity in the Western Hemisphere in the 1980s than it faced in the preceding decade.

DOMESTIC PRESSURES AND POSSIBLE POLICY CHANGES

59. Several sources of domestic pressure and vulnerability in the Soviet system could force difficult choices on the leaders in the 1980s. These include deteriorating economic performance, a growing possibility of social instability and internal dissidence, and a change in leadership. None of these factors alone will necessarily alter Soviet behavior, but their interaction could lead to significant changes in foreign policy. The Soviet Union of the 1980s will probably be a more volatile society, and its policies (and reactions to US policies) may be less predictable than in the past.

Economic Problems

60. As the USSR begins its 11th Five-Year Plan, economic prospects are gloomier and policy choices more difficult than at any time since Stalin's death. Shortfalls in industrial production and back-to-back harvest failures have reduced the growth in gross national product (GNP) during the past two years to its lowest rate since World War II and have left the leadership looking for ways to alleviate economic pressures at home without affecting defense, weakening political control, or generating unrest in Eastern Europe.

61. The economic situation will be poor in the 1981-85 period. There is a strong possibility it will get progressively worse and become a more critical factor in the second half of the decade. Soviet economic problems cannot be easily overcome. Annual incre-

~~SECRET~~
~~NOFORN~~

ments to national output even in the early 1980s will be too small to permit all of the following simultaneously:

- Steeply rising investment in energy development.
- The increases in investment in industry, agriculture, and transportation needed to revive the economy.
- Greater support to Eastern Europe and client states elsewhere.
- Any substantial increase in consumer welfare.
- And continued growth in defense spending at the rates of the past (about 4 percent per year on average since 1970).

62. If military spending continues to grow at 4 percent per year, its share of Soviet economic output could increase from about one-eighth now to over one-sixth in 1990. More importantly, the military share of the annual increment to economic output—the additional amount that can be distributed each year to ease the political tensions that arise from competition for resources—could increase from about one-fifth to as much as three-fourths. This would drastically reduce the ability of the Soviet leaders to allocate additional resources to investment and consumption.

63. The projection of Soviet military spending most consistent with available evidence suggests that pressures in favor of continuing the existing arms buildup are likely to offset any inclination toward change that might arise from the leadership's growing economic concerns. Under conditions of heightened international tension, the Soviets might even be willing to increase defense spending more rapidly despite the negative impact this would have on investment and consumption. In any case, Soviet leaders are highly unlikely for economic reasons alone to accept constraints on defense programs that they consider vital to their national security. However, Soviet incentives to constrain US military programs through arms control negotiations will increase as the economy slows in the 1980s, particularly if economic difficulties threaten to cause serious domestic instability.

64. The Soviet leaders also face rising costs associated with supporting the USSR's Communist allies.*

* The figures in this paragraph take into account Eastern Europe (Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania), Cuba, Vietnam, Mongolia, North Korea, and Afghanistan.

Last year, the value of this assistance in current dollars totaled an estimated \$23 billion, a manifold increase from the early 1970s. These costs now equal total Soviet hard currency export earnings. Although the bill for trade subsidies is likely to decline as the Soviets narrow the gap between their export prices and world prices and as oil sales stagnate, other cost increases are likely to more than offset this factor. For example, poor economic prospects in Cuba and Vietnam and declining growth in East European countries will add to this Soviet economic burden. Poland especially will be a large drain.

65. The Soviets are willing to sacrifice the benefits of foreign trade for what they perceive as overriding political or military goals. Nevertheless, Moscow wishes to expand its trade links with the West, including the United States. Despite public statements to the contrary, Moscow needs, more than ever, access to Western grain, equipment, and technology, the last particularly to enhance priority military research and development programs. In the absence of their own military intervention in Poland or some other action that would cause new Western trade strictures, they are relatively optimistic that they can acquire needed imports from Western Europe and Japan even if the United States limits its own trade and urges its allies to do likewise.

Potential Social Instability

66. Little real growth in consumption is likely in the years ahead as defense claims a larger share of GNP and investment is skewed more to heavy industry. Patience on the part of the Soviet population, now more preoccupied with food shortages than with any other domestic problem and less willing to defer material satisfactions, could wear thin. This unsatisfied consumer demand undercuts regime efforts to motivate workers to increase efficiency and productivity throughout the economy, and it could even spawn social instability.

67. The Soviet leadership is aware of these problems, and of the pressures they create to allocate a greater share of output to consumption at the expense of investment or military spending. Foreign policy and military requirements will dominate the calculations of Soviet leaders, however, as they survey what they regard as hostile external forces (especially the United States and China). They are thus likely to try to promote higher productivity, maintain high defense spending, and assure domestic control by appealing to

~~SECRET~~
~~NOFORN~~

a more extreme patriotism and, if necessary, by resorting to repressive measures."¹⁰

68. Another possible source of social instability in the 1980s is unrest among the non-Russian nationalities of the USSR. Rising expectations among minority populations could make it more difficult to assure ethnic cohesion in the Soviet multinational empire over the long term. A particular problem is posed by the higher growth of the population in the Muslim regions of the USSR. The possibility of greater self-assertiveness of these peoples, if combined with spillover effects of resurgent Islamic fundamentalism in Iran and elsewhere in the Middle East, could present the Soviet regime with a potentially serious, but manageable challenge.

Political Leadership and Succession

69. It is difficult to assess what impact the forthcoming leadership succession may have on Soviet policy, particularly because the environment in which a new top leadership has to act will probably be more important than the individual views of its members. Political conflict within the leadership is likely to mark

¹⁰ The Special Assistant to the Secretary of the Treasury (National Security) notes that investment, labor, and consumption shortfalls will still be likely, and believes that these will place constraints on major Soviet foreign policy initiatives.

the succession period, with no single leader becoming clearly preeminent for at least several years. In fact, the possibility of a two-stage succession, with a new generation of leaders displacing the current gerontocracy only in the second stage, could extend the period of political maneuvering into the latter part of the decade.

70. These conditions, and their conjunction with increasingly difficult choices in economic policy, do not indicate clearly any one particular direction for future Soviet foreign policy. If the new leaders believe the global "correlation of forces" to be favorable, especially if they are less impressed than Brezhnev with US military might and more impressed with their own, they might employ military power even more assertively in pursuit of their global ambitions. Greater caution in foreign policy could result, however, from the pinch of internal economic difficulties and popular dissatisfaction. On balance, we believe the policies of the new leadership will display general continuity with those of the Brezhnev era—military force improvements, a mix of detente and challenge in East-West relations, containment of China, and assertive behavior in the Third World. But, in view of the remarkable continuity of policies and personnel under Brezhnev, the generational nature of the turnover after his departure, and likely economic circumstances—Soviet policy during the period of leadership succession in the 1980s will be less predictable.

18
~~SECRET~~

~~SECRET~~
~~NOFORN~~

DISSEMINATION NOTICE

1. This document was disseminated by the National Foreign Assessment Center. This copy is for the information and use of the recipient and of persons under his or her jurisdiction on a need-to-know basis. Additional essential dissemination may be authorized by the following officials within their respective departments:

- a. Director of Intelligence and Research, for the Department of State
- b. Director, Defense Intelligence Agency, for the Office of the Secretary of Defense and the organization of the Joint Chiefs of Staff
- c. Assistant Chief of Staff for Intelligence, for the Department of the Army
- d. Director of Naval Intelligence, for the Department of the Navy
- e. Assistant Chief of Staff, Intelligence, for the Department of the Air Force
- f. Director of Intelligence, for Headquarters, Marine Corps
- g. Deputy Assistant Secretary for International Intelligence Analysis, for the Department of Energy
- h. Assistant Director, FBI, for the Federal Bureau of Investigation
- i. Director of NSA, for the National Security Agency
- j. Special Assistant to the Secretary for National Security, for the Department of the Treasury
- k. The Deputy Director for National Foreign Assessment for any other Department or Agency

2. This document may be retained, or destroyed by burning in accordance with applicable security regulations, or returned to the National Foreign Assessment Center.

3. When this document is disseminated overseas, the overseas recipients may retain it for a period not in excess of one year. At the end of this period, the document should be destroyed or returned to the forwarding agency, or permission should be requested of the forwarding agency to retain it in accordance with IAC-D-69/2, 22 June 1953.

4. The title of this document when used separately from the text is Unclassified.

~~SECRET~~

~~Secret~~

~~Secret~~